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7 July 1966

ARGENTINA

The Illia government was overthrown on June 27 primarily because it failed to satisfy the army high command that it could take positive action to solve national problems and prevent the Peronists from winning the congressional elections scheduled for March 1967.

The generals had been preparing a contingency plan since early in 1966, and the coup was swift and bloodless. The coup was greeted with some enthusiasm in Argentina because almost all sectors of the population were convinced that Illia was unable to make progress in either the economic or political sphere.

After a series of cabinet meetings, the generals soon realized that Illia's promises were empty and decided to move. There was no military opposition, since the one troop commander who opposed the coup was arrested when the coup began.

The new president, retired general Juan Carlos Ongania, is the country's most respected military

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officer and clearly the choice of all sectors for the presidency.

He is considered an effective leader.

Ongania has established a streamlined cabinet of civilian technicians to head the key ministries and has been given supreme powers by a "Statute of the Revolution" which in a sense supercedes the constitution. All elected and appointed officials have been dismissed, and the government has made no commitment to hold elections or return to democratic government.

The new government has taken no repressive actions against politicians and has permitted a free press. It has closed the offices of all political parties and may plan to take further action against Communists, who are now in hiding.

Reaction among Peronist groups was surprisingly mild and indicates that Ongania was able to work out an agreement with the Peronists before the coup. He has promised social and labor reform, but the truce between the government and the Peronists may not last beyond the first labor crisis that Ongania will face.

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The government's foreign policy will probably not change significantly, except that Argentina may become more decisive in supporting US hemispheric policies. Its Vietnam policy of giving humane assistance but not sending troops will probably not change.

Most governments in Western Europe have resumed relations with the new regime, but states in the Western Hemisphere have been more reluctant to take steps in the face of US moves to suspend relations. However, Bolivia was quick to resume ties and it is expected that many of the other states, especially neighboring countries, will follow suit.

ARG-3

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7 July 1966

BOLIVIA

- I. Rene Barrientos and his Bolivian Revolutionary Front (FRB) won a decisive victory in the 3 July national elections. Although final results are not known at this time, the FRB is guaranteed a majority of the 102 deputy and 27 senatorial seats.
 - A. The Christian Democratic Community, a front for the rightist Bolivian Socialist Falcange, and Victor Andrade's faction of the Nationalist Revolutionary Movement are presently running second and third respectively in a close race.
- II. The Barrientos regime will be faced with a variety of new and inherited problems when it takes office on 6 August.
 - A. The FRB is not a cohesive, disciplined political force and may disintegrate in the near future. Thus the new president will have to rebuild his political base, possibly moving his political philosophy to the right because of military pressure.

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- B. Barrientos will also be faced with several chronic economic problems, including a budget deficit. The unfamiliarity of the new leaders with these problems may cause considerable delay in developing an economic program.
- C. The major problem for Barrientos is to obtain the withdrawal of the armed forces from active control of the government. As in the past, General Alfredo Ovando is the key to future government-military relations. Ovando reportedly told foreign correspondents on 4 July that "the armed forces will observe the new government and will act again if they think that the interests of the people are not well served." Ovando did not set a limit on how long the military would give Barrientos to prove himself. If an issue develops between these two mutually antagonistic men, there could be trouble.

BOL-2

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7 July 1966

DOMINICAN REPUBLIC

Joaquin Balaguer, who won the 1 June election with 57 percent of the vote, assumed office on 1 July.

In his inaugural address Balaguer outlines the moderate reformist measures which he appears determined to carry out during his four-year term.

These measures include

- establishing a respect for law and order,
- an end to special privileges and corruption,
- an austerity program which he warned would be painful.

Balaguer also promised

- to purge politics from the government-owned enterprises, especially the debt-ridden Dominican Sugar Corporation,
- an all inclusive agrarian reform program.

So far there has been little reaction to Balaguer's appointments, which include a 13-man cabinet dominated by nine members of his Reformist Party or splinter groups which supported his candidacy.

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- Three cabinet positions were given to leading members of the opposition Dominican Revolutionary Party;
- their inclusion in the cabinet is viewed as a victory for Balaguer and could weaken Juan Bosch's position as the leader of the opposition.

The retention of Defense Minister Perez y Perez indicates that the President plans no immediate sweeping changes in the military establishment. Perez y Perez has done a creditable job but is not particularly popular among his fellow officers.

Since the elections extreme leftist elements have made no effort to stir up trouble. Apparently this results from a decision on their part not to provoke the government while they are reassessing their position in view of Balaguer's victory.

- They are expected to bide their time recruiting new members and trying to infiltrate the government, until Balaguer's popularity has been weakened by the realities of having to govern or until such time as the government clamps down on their activities.

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In foreign policy, the Balaguer government

- has already taken steps to reestablish relations with the Duvalier regime in neighboring Haiti;
- ruled out any possibility of recognizing Castro's Cuba, considered to be both politically and ideologically outside the Western Hemisphere;
- favors purely commercial relations with the "socialist countries."

The first contingents of the Inter-American Peace Force left the Dominican Republic just before Balaguer's inauguration.

- Unless serious trouble erupts the entire force is expected to be out of the country before the end of September.
- Balaguer has the option to request a delay in the withdrawal if necessary.

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7 July 1966

Panama

Recent rioting in Colon and Panama City by Communist-incited student mobs again points up Panama's serious urban economic and social problems;

--Widespread unemployment and crowded slum conditions in the cities adjacent to the Canal Zone,

--the existence of a volatile extremist-led student population.

--Together, they enhance the likelihood of minor incidents exploding into major crises.

The alleged repressive measures of security forces in Colon and Panama City left the residents embittered; the prevailing antigovernment mood could well cause further outbursts at any time.

President Robles, faced with the most serious threat to the stability of his government since he took office, acted quickly and forcefully to contain the disorders.

--National Guard units restored order when it became apparent to student agitators that the general public was not supporting their effort.

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Arnulfo Arias did not overtly support the student disorders in June.

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Arias has said repeatedly that public disclosure of a canal settlement will give the Panamenistas ample opportunity to undermine the Robles government.

--He feels that this is Robles' most vulnerable point and consequently, is determined to keep a canal treaty from getting through the Assembly.

President Robles and his advisers, spurred by the June riots, have shown a willingness to undertake some much-needed urban reforms.

--However, the Panamanian president will be hard pressed to effect a meaningful change during his remaining term of office because of limited resources, a weak coalition government, and the problem of a canal settlement.

PAN-2

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The Canal negotiations have resumed in New York and long sessions of hard bargaining lie ahead.

--They repeatedly had been delayed by the Panamanian negotiators' inability to agree on counter-drafts.

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7 July 1966

BPAZIL

- I. Brazil is entering a difficult political period as the country prepares for important national and state elections.
- A. In September the legislatures in half of the 22 states--including politically important Sao Paulo--elect new governors.
 - B. On October 3, Congress will elect a new President to succeed Castello Branco next March 15.
 - C. On November 15, Brazilians will elect all 409 members for a new Chamber of Deputies, and one third of the 66 Senators.
- II. President Castello Branco has attempted to prevent the political chaos that normally accompanies an election year by forcing the reorganization of two new political parties to replace the 13 that existed before all parties were abolished in October 1965.
- A. One of the two parties formed, the progovernment National Renewal Alliance (ARENA), nominate^d War Minister Costa e Silva, an army general, as its presidential candidate.

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B. ARENA's candidate is strongly favored to win the presidency, since the party holds a substantial majority in congress. The executive committee of the opposition party, the Brazilian Democratic Movement (MDB), has recommended that the party abstain from presenting candidates in the indirect elections.

III. The Castello Branco government has provided relative stability during its two-year rule, but public unrest is growing somewhat.

A. Organized labor is increasingly dissatisfied with the government's inability to control the persistent inflation, which has been slowed but remains high--prices rose 21 percent during the first five months of 1966.

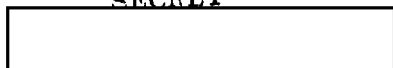
B. Administration opponents are seeking to exploit the unrest with stronger attacks on the government.

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C. Military hardliners continue to seek more drastic measures to ensure the success of the movement that overthrew the Goulart regime in 1964. Castello Branco retains strong support from the large majority of his senior commanders, however.

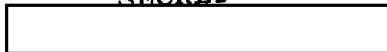
D. Communist subversion has been generally contained, but Communist influence is reappearing among unions and student groups.

IV. Substantial progress has been made in the groundwork necessary for long-term economic growth and social improvement.

A. The government has given priority to controlling the inflation, and is likely to continue to do so: the cost-of-living increase in 1965 was 45 percent, but this has to be compared with the annual rate of increase of 140 percent at the time of Goulart's ouster in April 1964.

B. Brazil's fiscal position has improved greatly under Castello Branco: the budget deficit has been sharply reduced; foreign exchange reserves have grown considerably.

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- C. Important reforms have been instituted in banking, in tax system, and in agriculture, and others are planned soon in the government's administrative structure, housing, and education.

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7 July 1966

PERU

- At present Peru's internal security situation is quiet.
- I. The Peruvian Government's success against Movement of the Revolutionary Left (MIR) guerrillas has caused serious disarray in the MIR organization. Insurgency is now so limited/that army and disorganized troops have returned to their barracks.
- A. The MIR will undoubtedly have to go through a lengthy period of retrenchment and reorganization before it can again operate effectively.
- II. Government resources and attention can now be concentrated more fully on the socioeconomic reform programs of President Belaunde (BAY-LAH-OON-DAY).
- A. Progress on reforms, which is dependent upon executive-legislative cooperation, faces an increasing political threat. The opposition APRA party, dominant in congress, has taken a very hard line toward the program, including censure of cabinet ministers.

PERU-1

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B. Negotiations between the Peruvian Government and the US-owned International Petroleum Company over the status of IPC concessions in Peru are continuing. The principal obstacle to an equitable solution to the problem seems to be political rather than economic at this point. No solution seems in sight before the end of the year.

PERU-2

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7 July 1966

GUYANA

Guyana, formerly British Guiana, became an independent sovereign member state of the British Commonwealth on 26 May 1966. Linden Forbes Burnham is prime minister.

- Burnham's People's National Congress (PNC) and the United Force (UF) govern in coalition, opposed by the pro-Communist People's Progressive Party (PPP) led by Cheddi Jagan;
- Guyana has a governor-general representing the British monarch;
- Early in 1969, the National Assembly will have the option to change the country's system of government to a republic, which it probably will do, and the governor-generalship will be abolished;
- Premier Burnham wants a republic for prestige reasons;
- His conservative coalition partner, Finance Minister Peter D'Aguiar, (DUH-GARR) strongly favors continued close ties to the British crown.

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According to the constitution, elections must be held by late 1968. They will use proportional representation, an electoral system which favors the pro-Burnham Negroes (44 percent of the population).

--Burnham is afraid that he might not win the next election because the voting strength of the pro - Cheddi Jagan East Indians, who now amount to 50 percent of the population, is increasing rapidly;

--Burnham would like to import Negroes from other parts of the Caribbean or join Guyana in a federation with predominantly Negro Caribbean nations to offset East Indian voting strength;

Both the government and the opposition political forces are beset with difficulties.

--Premier Burnham's coalition government is an unnatural mixture of UF conservatives and PNC pragmatic socialists which got together only because its leaders (who do not like each other) are determined to keep PPP's Jagan out of office;

GUY-2

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--Many times D'Aguiar has threatened to leave the government because of Burnham's "fiscal irresponsibility," and because Burnham has not consulted him on government policies;

--Recently, however, he has stated he will remain in government at least until the 1968 elections;

--Burnham would like to govern without D'Aguiar and the UF, but he needs the extra votes.

Various leaders of Jagan's Pro-Communist People's Progressive Party--the PPP--have wanted the party to use violence against the Burnham government. Jagan, however, fears that Burnham's government might take extreme repressive measures against himself and the PPP and has been unable to make up his mind whether to risk violence. This indecision has prevented the PPP from acting effectively.

Although the Burnham government is slowly improving the country's economic prospects, it still faces serious challenges.

--Unemployment now stands at 20.9 percent and is rising;

GUY-3

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--That, plus the necessity of finding satisfactory markets for the surplus, high cost, rice production are among the country's most critical problems;

--British troops, the main stabilizing factor in the country, are scheduled to leave on 31 October 1966;

--It is hoped Guyana's security forces will be sufficiently trained to take over from the British;

--They will probably be able to deal with small-scale violence but would need outside assistance to control large-scale, widespread violence;

There are border disputes with two countries.

--Caracas claims that the western five-eighths of Guyanaese territory belongs to Venezuela. However, on 17 February Great Britain (acting for its then colony) and Venezuela signed an agreement providing for the establishment of a mixed Venezuelan-Guyanese committee which will be charged with finding a solution within a four-year period. If the deadline runs out before a solution is found the border dispute

GUY-4

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is supposed to be settled through some of the peaceful procedures prescribed in the UN charter;

--Another border dispute with Surinam is also likely to be settled peacefully.

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7 July 1966

VENEZUELA

- I. At this time Venezuela is one of the more politically stable and economically sound nations of Latin America. Although it has been beset in recent years by numerous political problems, the government has successfully weathered all storms.
- One of
- II. /Venezuela's major problem concerns the leftist guerrillas and terrorists.
- A. The Communist Party, or PCV, and the Movement of the Revolutionary Left, or MIR, are at odds apparently are still allied and still jointly direct the FALN--the Armed Forces of National Liberation. FALN activity throughout 1965 and through mid-April 1966/slight and has been for the most part purely defensive, however, and many PCV and MIR leaders now want to abandon violence in favor of more legitimate political action.
1. The PCV and FALN are badly disorganized and demoralized. Funds for terrorist activities have been almost non-existent since last summer.

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2. On 18 March, President Raul Leoni freed from prison four leaders of the PCV and the MIR who have professed the futility of the armed struggle. Three of these were sent into exile.

B. Those favoring non-violence are facing a split in the PCV/MIR party leadership.

The more militant members who favor expanded guerrilla and terrorist operations have bolted the established parties and set up their own FALN, apparently with Cuban support.

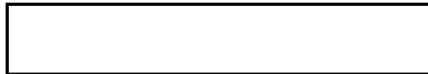
C. About 250 guerrillas are still in the field, although generally inactive for the moment. They are supported by about 500 urban sympathizers, many of them in the universities, who act as couriers, supply clothing and medicine, and print and distribute propaganda flysheets extolling the guerrillas and denouncing the government.

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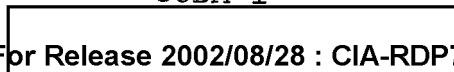
7 July 1966

CUBA

Fidel Castro's vigorous appearance on 29 June when he delivered his first public address since 1 May, and his 90-minute interview with a Western correspondent on 5 July, dispel recent rumors concerning his state of health and changes in his political position.

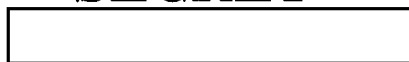
- withdrawal from public view in May and June and increasingly bellicose behavior during the past six months, however, may reflect Castro's personal frustration over the regime's inability to resolve basic economic and administrative problems;
- administrative purges of medium level government officials in March and April and the March show trial of two army majors probably largely aimed at restoring revolutionary dynamism to the regime and at discouraging other would-be plotters against Castro;
- this spring Castro attacked the leaders of Communist China, Chile, and Yugoslavia and on 1 May implicitly criticized USSR for not giving more assistance to North Vietnam;

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--a state of alert was declared throughout Cuba on 27 May following the killing of a Cuban soldier by a sentry at the Guantanamo Naval Base on 21 May;

--Castro may have believed the US was contemplating an attack, but it is more likely that he was concerned about Cuban exile threats and alleged assassination plots;

--Castro probably escalated the "crisis" to divert public attention from pressing economic difficulties, to test the efficiency of the Cuban defensive system, to provide training for the armed forces, and to flush out "counterrevolutionaries."

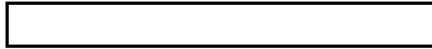
Castro's position apparently remains pre-eminent; nevertheless, several other military and party figures are beginning to share the limelight. President Dorticos' stock, in particular, continues to rise.

--In 5 July interview, Castro reiterated his position that "as the revolution grows stronger, individuals become less important,"--a reflection of his confidence in the Cuban Communist Party and the continuing institutionalization of the regime under its aegis;

CUBA-2

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--party has probably grown somewhat beyond 55,000 members--chosen for their loyalty and dedication to Castro;

--There is effective collaboration of party and military cadres (two thirds of the party's central committee members are commissioned officers).

Castro recognizes that he has no alternative to continued large-scale aid from the Soviet Union and as a result continues to favor Moscow while relations with China have been deteriorating.

Castro probably no longer views all of Latin America as on the brink of revolution but zeroes in on specific target countries, e.g., Venezuela, Colombia, and Guatemala.

--Nevertheless, Cuban propaganda on behalf of armed revolution has been pushed up several notches since the January Tri-Continent Conference, and Cuba reportedly has sent military personnel to help insurgents in the Congo and to train native and foreign cadres in Brazzaville.

Cuba's economic performance is spotty and the long-range outlook remains uncertain. The 1966 sugar

CUBA-3

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harvest of slightly less than 4.5 million tons was two million tons short of the goal, and the outlook for future sugar earnings is clouded by continuing harvesting and milling problems, and by uncertain world prices.

CUBA-4

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7 July 1966

COLOMBIA

Colombian politicians are quietly preparing themselves for the horse trading that is sure to follow the 20 July convocation of the new congress.

--The governing National Front won about 55 percent of the popular vote--not seats in congress--in the congressional elections on 20 March;

--the opponents of the National Front can block government programs if they control one third of the seats.

--Lleras is maneuvering to prevent this,

--the alignment of the new congress will not be clear until after it convenes on 20 July.

--Carlos Lleras Restrepo, elected president by a two-to-one majority on 1 May, is expected to follow generally the policies of the present government;

--he will be inaugurated on 7 August;

--he visited several Latin countries recently and stressed economic integration with US aid.

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The Communists and other potential insurgents are still split into several ineffective groups.

--The Moscow-line Communist Party may, however, be preparing to play a more active role in insurgency.

The army and police devoted their major effort to guarding the polls and maintaining law and order during the electoral period.

--They are returning now to the same slow but successful counterinsurgent program that produced such good results against bandits and guerrillas in 1964 and 1965.

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7 July 1966

ECUADOR

- I. Ecuador faces converging adverse factors which contain the explicit threat of governmental collapse and Communist penetration at the top. A weak interim civilian regime,
proposes elections in September to a constituent assembly--an institution historically notorious for ineptitude, venality, and factiousness--while economic and political considerations imperil the survival of the government.
 - A. Of prime concern to the government is fiscal deterioration stemming from unfavorable international trade conditions, irresponsibility of politically influential export-import interests, and rising government expenditures in a developing country.
 1. The interim regime is unwilling to take politically unpopular austerity measures and instead is falling back on sharp curtailment of services and development projects.

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2. The cost of living has begun a fairly sharp rise, real wages are falling, the usually stable currency has declined, and monetary reserves are at a critical low--

\$16 million.

3. The recent \$10 million budget support loan should help the financial situation, but this is only a stop-gap measure.
- II. The political future is extremely uncertain and

has become more precarious since the return of ex-President Velasco Ibarra from exile on May 24.

- A. Political parties are weak, disorganized, and intent upon exploiting the constituent assembly currently scheduled / ^{to be} elected

3 September and convened 3 November.

1. Interim President Yerovi may

the assembly

2. Many politicians hope to use the assembly to bar re-election of ex-President Velasco.

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- B. Velasco, [] could probably win a direct presidential election and has therefore been pressing for direct instead of indirect elections through a constituent assembly.

1. Communists and extremists have shown ability to exploit uncertainty, have been favored by the permissiveness of Yerovi,

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and stand ready to exploit Velasco to gain power from the top.

C. The armed forces, the only significant institution outside of the church, have lost prestige through the March 1966 fall of the military government and are reluctant to resume power.

1. Some officers might try to forestall Velasco by a coup, but this would provoke the people and oblige resort to a harsh dictatorship.
2. Enlisted ranks tend to favor Velasco, and recent reports indicate a plot is afoot among a handful of military officers and Velasquistas to overthrow the Yerovi government.

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7 July 1966

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GUATEMALA

- I. On July 1 Julio Cesar Mendez Montenegro was inaugurated as president for a four-year term.
- A. Mendez' left-of-center Revolutionary Party (PR) has a majority of 30 in the 55-seat congress, and has had cooperation from the rightist Institutional Democratic Party (PID), which holds 20 seats.
- B. The far-rightist National Liberation Movement (MLN), has only five legislative seats. MLN members continue to seek support for a coup among rightist elements in the military, but at present the MLN is weak and discredited, representing no serious threat to the government.
- C. Several of Mendez' cabinet appointees [redacted] have leftist backgrounds, which may irk the military.
- D. Mendez has so far exhibited an acute awareness of the need to placate powerful rightist military

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and business groups and has made constructive efforts to allay their suspicions of his liberal bent.

II. Guatemala's security problems continue.

- A. Since early May, the Communist Party action arm, the FAR, has kidnapped three high-level government officials and two youths and has engaged in other, familiar hit-and-run terrorist activities. On 24 June, a wealthy attorney was kidnaped and later released for \$100,000 ransom.
- B. The three government hostages have been used to pressure for the release of Communists imprisoned by the government in early March. Some of the Communist prisoners are known to have been executed, but the government has publicly maintained that the terrorists' claim that their cohorts are being held is fiction.
- C. One of the kidnapped government officials escaped on 9 June, and provided information which may help security forces trail the terrorists and locate the other victims.
- D. Two youths kidnapped on 8 June are being held for \$20,000 ransom each.

GUAT-2

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- III. There has been some noticeable increase in public tension because of the government's inability to halt terrorist activity, but the apprehension so far has not come close to the near-panic which the capital experienced last December when the level of terrorism reached its height.
- IV.. Although the successful transition from military to civilian government has done much to dissipate the politically tense atmosphere prevailing a few months ago, prospects for stability remain uncertain.
- A. As a civilian and a liberal, Mendez as president will be subject to close scrutiny by the military and will have little margin for error.

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7 July 1966

The Congo and Mobutu

The Congo has come a long way from the nadir of late 1964, particularly since Mobutu took over last November. But progress still seems slight when compared with the problems that remain.

The rebellion is now largely confined to rural pockets; almost all important roads and population centers are in government hands. Reasons for government progress include:

- continued use of mercenaries,
- popular disillusionment with rebellion,
- virtually complete cutoff of outside support to rebels,
- some improvement in the Congolese army's effectiveness.

With the rebellion's decline giving him some room to maneuver, Mobutu is giving almost all his attention to enhancing his authority inside the country and improving the Congo's image in Africa. In the process, he has taken several important actions, some of them spectacular. He:

- personally directed a running vendetta with Belgium in May and June,

CONGO-1

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--ordered a summary trial and the execution of
four plotters in early June,
--intimidated civilian politicians in the country-
side as well as in Kinshasa (formerly called
Leopoldville), through the use of the army,
the surete, and visits by cabinet ministers;
--discredited Tshombe, his most formidable rival,
--sought to identify himself as anticolonialist
and pan-Africanist,
--cultivated African leaders such as Kaunda and
Nyerere.

An important part of this effort--and one with a considerable emotional charge for Mobutu as well as for other Congolese--is the campaign against Belgian economic pre-eminence, a campaign in which the Congolese won substantial Belgian concessions through intransigent negotiating tactics.

The new situation in the Congo has several implications for the future:

--Further tension with Belgium is likely; Belgium may be increasingly reserved in its aid;
--With Belgian influence eroded, Mobutu will be less subject to Western persuasion;

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- Mobutu is apt to "shoot from the hip" in summary political and economic actions,
- The upper levels of Congolese officer corps probably will become more influential.

Moreover, there are some things which have changed little, if at all:

- Regionalism and tribal loyalties are constant hindrances to development of national consciousness;
- The economic situation is only gradually improving;



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7 July 1966

SUDAN

- I. In Khartoum, the moderate government has made little progress in establishing a stable government and solving the Sudan's many problems.
- A. The rural-based Umma Party which dominates the coalition regime is now divided among conservative older party members and a younger group favoring modernization and the development of urban influence.
- B. The government has made no real progress thus far in reaching a political compromise with Negroid separatists in the three southern provinces.
1. The military campaign in the south, where more than two-thirds of the 18,000-man army is bogged down, continues at a stalemate. The southern politicians remain disorganized and probably have little control over the active dissidents. A new government initiative to promote peace talks was under way but the conflict may drag on indefinitely.

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II. The Sudan Communist Party was proscribed in late 1965, but still retains influence in the trade-union movement and in student and professional groups.

A. The Communists can probably exploit both the deteriorating economic situation and a growing sense of discontent within the military over the southern military campaign.

SU-2

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7 July 1966

KENYA

- I. President Kenyatta's government and ruling party are now fully in the hands of moderate, constructive elements since the resignations last April of former vice president Odinga and his pro-Communist associates.
- A. Odinga's new opposition party holds only nine seats in the 171 member national assembly and represents no serious threat to the government at this time.
- B. His Communist-financed party failed to win any significant national following in last month's by-elections, but its decisive victory in Odinga's home province reaffirmed his undisputed leadership of Kenya's second largest tribe. He has a firm platform from which to work for the 1968 general elections.

~~CONFIDENTIAL~~

7 July 1966

UGANDA

- I. President Obote has consolidated his position and made progress toward greater national unity with his decisive move against the rebellious Kingdom of Buganda.
- A. The Kabaka (King) of Buganda--the country's largest and richest region--had been contesting Obote's assumption of full powers last February. The Kabaka's demand in May that the central government vacate the capital city led to the sacking of his palace by the Uganda Army and his own flight into exile.
- B. Obote has now divided Buganda into four administrative units and has stripped its tribal leaders of their special privileges. His actions have been supported by the rest of the country who resented Buganda's superior, semiautonomous status.

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7 July 1966

RHODESIA

- I. Britain and Rhodesia have adjourned until late July their talks exploring the possibilities for a negotiated settlement of Rhodesia's illegal independence. The major stumbling blocks appear to be Rhodesia's refusal to return to constitutional (British) authority before negotiations for legal independence begin and a hardening of the Smith regime's attitude toward political and other concessions for Africans in an independent Rhodesia.
- II. If the rebel regime would return to temporary nominal British sovereignty, London appears willing to grant legal independence to Rhodesia before majority (African) rule is attained. Britain probably wants some minor face-saving concessions to Africans, however, such as steadily increasing African enfranchisement, guarantees against retrogressive legislation regarding voting rights, and some moves against racially discriminatory legislation.

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III. Although Britain is anxious for a settlement, it apparently is willing to delay negotiations in the belief that its economic sanctions program will soon force Rhodesia to accept London's new softened terms.

IV. It is uncertain if a continuation of the sanctions will modify Rhodesia's attitude toward negotiations.

A. The sanctions have hurt some businesses, the tobacco crop has not sold as well as the rebel regime hoped, and a continuation of the sanctions would drive the advanced Rhodesian economy to a lower level. Consequently, some Rhodesian businessmen have pressed Prime Minister Smith to come to terms with Britain.

B. However, white militants within Smith's political party, many of whom are farmers who have been hurt by tobacco sanctions, have recently become more recalcitrant against concessions to Britain. They seem to be

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willing to accept a relatively lower standard of living in order to keep white political control of Rhodesia.

- C. Smith himself may be prepared to reach a settlement with Britain which would give Rhodesia legal independence without a timetable for majority rule. He may believe such a settlement will be politically more acceptable within the Rhodesian white community after a little more awareness of the long-term effects of sanctions.
- V. Rhodesian Africans within and outside the country have no power to upset any settlement reached between Britain and Smith's government.
- VI. Other African governments would not accept the kind of settlement which Britain now apparently contemplates.
 - A. Although they have no power, either, to upset such a settlement, several may leave the Commonwealth.
 - B. Britain and the West in general would lose considerable prestige and influence in Africa.

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C. Zambia, the only African country capable of hurting Rhodesia through economic sanctions, would probably continue to trade with Rhodesia until alternate transportation networks and trading partners could be developed.

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7 July 1966

TANZANIA

President Nyerere's militant approach to the problems of southern Africa is still the dominant factor in Tanzanian affairs.

--Tanzanians continue to train refugees from Mozambique and Rhodesia and to equip them from stockpiles of Chinese and Soviet arms. Nyerere has stopped military aid to the Congolese rebels and claims to have ceased support for Malawi dissidents.

--Tanzanians have been financially strapped since London withdrew a \$21 million loan last December after Dar es Salaam broke relations over the Rhodesia issue.

--last month they signed their first development loan agreement with Moscow and another small credit agreement with Peking.

--relations with the US have improved slightly, although the Tanzanians remain suspicious of US intentions in southern Africa.

--on Zanzibar the pro-Communists are continuing their efforts to eliminate US influence from the island.

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7 July 1966

DCI BRIEFING NOTES

GHANA

- I. In Ghana, where the radical regime of President Kwame Nkrumah fell apart last February while he was in Peking, the new leaders are Western-oriented political moderates.
- A. The senior army and police officers who staged the coup had long been dissatisfied with Nkrumah's arbitrary rule, his ties with Communist countries, and his economic follies.
- B. Since their take-over, they have given every indication of being particularly friendly to the United States.
- II. The change of regime has been popular with the general public. Nkrumah had alienated virtually all segments of society since he led Ghana to independence nine years ago.
- A. One of the most significant factors in the erosion of his once massive popularity was the tightening economic squeeze felt at all levels in recent years as Ghana's economy deteriorated.

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III. The interim regime set up by the coup leaders seems to be functioning reasonably smoothly.

- A. General policy is set by a National Liberation Council of four army and four police officers, all of whom are pro-Western. It is headed by popular General Joseph Ankrah, who had been fired by Nkrumah last year.
- B. The Council is backed up by several specialized committees dealing with such matters as foreign affairs and the economy. The committees are staffed by able and, for the most part Western-oriented senior civil servants.
- C. Recently the NLC yielded to pressure from the former opposition United Party and set up a 23-member political advisory committee.
- D. For the present all political parties and activity have been proscribed, but some such activity is in fact going on.
- E. Over 1,000 Nkrumah regime opponents were released from detention and others have returned from exile. In turn, at least 500 Nkrumah regime activists were incarcerated, including cabinet ministers and members of the dissolved parliament. Small groups of of these are now being released.

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IV. The new leaders have promised to return Ghana to representative civilian government, but evidently will be in no hurry to do so.

A. They are publicly committed to sponsoring a new constitution, holding a referendum, and then to turning power over to whatever political force emerges from free elections.

B. However, General Ankrah has indicated [redacted] [redacted] the country must first undergo a period of re-education for 18 months to two years.

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C. In the economic sphere, which offers the most pressing problems, the new regime appears to have a sound appreciation of the magnitude of its task and a determination to take whatever austerity measures are required to get the economy on an even keel again.

1. In addition to the emergency aid provided by the International Monetary Fund and the US, help has already been forthcoming from West Germany, Canada, and the UK.

2. A three-month respite from external debts was won in June from the creditor nations.

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- V. In external affairs, the new government has greatly reduced Ghana's involvement with the Communist world and aligned it with the moderate African states.
- A. All Soviet and Chinese technicians have been expelled and the Soviet and Chinese embassies are limited to 18 persons. A complete rupture with Peking may still be coming. The Albanian, North Vietnamese, and North Korean embassies have been closed.
- B. Most Ghanaian embassies in bloc countries are being closed down and efforts are under way to reduce the number of Ghanaian students (about 1,000) there.
- C. In Africa the new regime has won general acceptance, and relations with moderate neighboring states have markedly improved.
- VI. Provided no serious split develops within the ruling junta, the new regime seems securely in power for sometime to come.
- A. Unavoidable additional economic hardships this spring and summer may well accelerate the normal dissipation of some of the post-coup elation.

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B. Nkrumah does not now appear likely to pose any real threat, although he clearly harbors dreams of making a comeback.

1. Guinea's Sekou Touré welcomed him to Conakry and made threatening noises about a forceful restoration, but neither Touré nor any of Nkrumah's other radical friends has given him any significant material support.
2. There now are indications Touré has become concerned about adverse repercussions from his extreme pro-Nkrumah stance and has begun to back off.

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7 July 1966

DCI BRIEFING NOTES

NIGERIA

(MAP)

- I. Africa's most populous country (about 50,000,000) has been ruled by its 10,000-man army since lower echelon officers initiated a bloody coup on 15 January.
 - A. The upheaval swept away the old power structure over which conservative northern Muslims had steadily tightened their grip since independence in 1960.
 1. The former federal prime minister and two of four regional premiers were killed along with a number of senior army officers.
 2. However, the new government has found it necessary to retain much of the old administrative network.
 - B. Although the coup was initially accepted with considerable enthusiasm throughout the country, the future of Nigeria remains very uncertain. It has been a stronghold of moderate Africa.

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- II. The interim regime was established by army commander Ironsi (Maj. Gen. Aguiyi-Ironsi), who in effect took over the coup from the younger conspirators. The regime is reformist rather than revolutionary in outlook.
- A. It has promised to maintain domestic peace, end corruption and tribalism, and provide a new constitution.
1. Various investigative and study commissions will be working on the country's problems for some time with military rule continuing for at least three years.
- B. In foreign affairs the military government is generally well disposed toward the West and has so far continued the preceding regime's aloofness toward the Communist world.
1. Assurances have been given that foreign investments will be safeguarded.
2. However, a more forcefully African posture is taking shape.
- III. Internally the country is headed for a stronger central government, but there is strong opposition in the north to the government's reforms.

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- A. Ironsi's speech on May 24 announcing plans for a unitary government and a unified civil service provoked antigovernment demonstrations in several northern cities.
1. Mobs of rioting Hausas attacked the homes and businesses of Ibo tribesmen from the south; over 100 persons were reportedly killed and several hundred injured. Order was restored in about a week.
- B. The simultaneous nature of the demonstrations may indicate some coordination among northern political leaders and civil servants.
- C. The north has been unhappy for some time over the January coup, which many view as an "Ibo takeover."
1. Northern civil servants fear--with good reason--that they will be replaced by better qualified southerners in open competition in a unified civil service system.
 2. Since the disturbances, the government has virtually retracted its stand on centralization. It has also indicated

NIG-3

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a willingness to discuss important matters affecting the north with the traditional leaders there.

D. Tensions and tribal enmitities probably will continue with the possibility of renewed outbreaks of violence in the north or in other parts of the country.

IV. An early breakdown of discipline in the army, which has its own intertribal tensions, continues possible.

A. There was reluctance to test the army's cohesiveness during the recent disturbances in the north. At best, the ability of the country's relatively small (police 18,000; Army 10,000) security forces to ensure law and order is problematical.

1. The younger officers active in the January coup remain a problem. Ironsi has placed most of them in detention, but apparently dares not punish them as they are widely regarded as heroes.
2. Some Western observers anticipate more coups by army elements.

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- C. Over the longer run, there is a real question whether the politically inexperienced new leadership will be able to cope with the basic problems of regionalism, tribalism, and underdevelopment any more successfully than the old government.
1. Popular euphoria has already begun to fade as the regime fails to take decisive steps to halt rising prices or materially improve the lot of its citizens.
 2. Conflicting pressures coupled with ineffective leadership could culminate in serious strife.

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7 July 1966

DCI BRIEFING NOTES

MOROCCO

- I. Morocco's King Hassan skillfully keeps his opposition divided and off balance, but his relations with France are chilly and those with Spain are complicated by Morocco's territorial claims.
- A. The kidnaping in Paris last October of Moroccan opposition leader Ben Barka complicated other problems, such as Moroccan nationalization of French agricultural properties and imposition of trade controls. Both ambassadors were recalled in January; but Paris and Rabat seemed disinclined to take more drastic steps.
- B. Hassan has named a new ambassador to Madrid, one with personal ties to Franco, in an effort to improve relations and press Morocco's claims to Spanish-held Ifni and Spanish Sahara.
- C. A recent incident on the undefined Moroccan-Algerian border has revived both fears of an Algerian invasion and requests to the US and other western sources for new military equipment.

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7 July 1966

DCI BRIEFING NOTES

ALGERIA

- I. In Algeria, Col. Boumediene's control remains unchallenged. Rumors of impending government shakeups, realignments and in-fighting continue.
- A. He is moving slowly to untangle the problems inherited from Ben Bella last year but discontent has mounted. A severe drought this year, unemployment and lack of development programs and technical and managerial skills remain the principal problems.
- B. Algerian relations with France continue to be fairly good. However, nationalization of 11 mines (compensation promised) and announcement that French abandoned properties were the property of the Algerian state seem certain to complicate the already difficult economic negotiations which stalled when Foreign Minister Bouteflika abruptly departed from Paris on 29 April.
- C. Boumediene's trip to Moscow in December, his first visit outside Africa as chief of state,

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seemed designed to get promised Soviet economic projects under way, and to thaw Soviet relations, which had chilled with the June coup.

1. The Soviets agreed to finish the projects under way and apparently no more.
2. Boumediene then endorsed many Soviet positions.
3. However, Algerians seem to be seeking alternative developers for such projects as the Soviet promised integrated steel complex and may have closed down the Soviet-run petroleum and technical institute near Algiers.
4. The walkout of the Algerian observers from the 23rd CPSU because of the presence of a delegation from the banned Algerian Communist Party has apparently hampered close political relations.
5. Soviet arms and instructors continue to arrive and several hundred Algerian military trainees are still in the USSR.

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D. Despite repeated denials of rumors that the US is establishing bases in Morocco and Tunisia, the Boumediene regime acutely fears "encirclement." As a consequence, it is mending fences with radical regimes in the Middle East and Africa.

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7 July 1966

DCI BRIEFING NOTES

THE HORN

- I. The Horn of Africa (Ethiopia, Somalia, French Somaliland) remains an area of endemic instability.
 - A. Haile Selassie still is the major influence in the area, but at 74 plus his grip is weakening somewhat and some jockeying for position has already begun.
 1. Young educated Ethiopians in the government and army are anxious for reforms and have been pressuring the Emperor for changes, but he is willing to move only slowly.
 2. Most observers discount a coup and the Crown Prince is expected to succeed to the throne. The Crown Prince is pretty much an unknown quantity and may be the center of disputing traditional/modernist forces.
 - B. Internal dissidence in four Ethiopian border provinces, including Eritrea

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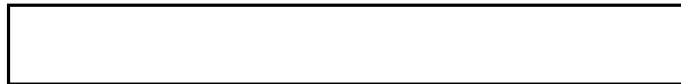
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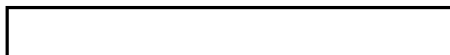
tinued, keeping most of the Ethiopian security forces occupied.

C. The presence of ethnic Somalis in Ethiopia and also in Kenya keeps the pot boiling between these countries.

1. The Somali Republic, with its Soviet-trained and supplied army, is actively working for the union of all Somalis with the republic, and is training and assisting Somalis in Ethiopia and Kenya in guerrilla activities.
2. Ethiopian-Somali border clashes have receded somewhat, but tension on the Somali-Kenya border are high as a result of a sharp step-up in Somali raids in northeast Kenya.
 - a. Ethiopia and Kenya, already alarmed by continuing deliveries of Soviet military aid to Somalia, are consulting on ways to stamp out Somali insurgency.

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- b. Nairobi recently broke off trade relations with Mogadiscio, halted Somali airflights into Kenya, and is engaging in new tougher security measures, including occasional "hot pursuit" across the Somali borders.

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7 July 1966

INDIA-PAKISTAN

The future of Indian-Pakistani relations remains in doubt.

India wants better relations with Pakistan, if only to satisfy US and Soviet demands for peace on the sub-continent.

- The government of Mrs. Gandhi believes strongly, however, that meaning^{ful} Indian concessions on the status of Kashmir now would be political suicide with general elections coming up next February.
- Deep seated suspicions concerning Pakistan's intentions further limit New Delhi's willingness to cooperate.

Pakistan's President Ayub, on the other hand, is under heavy pressure to show some progress on Kashmir.

- Pakistan may decide to take the problem back to the UN Security Council again, hoping that the US might support a new Kashmir move and that the USSR might not automatically veto it.

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The Ayub government has shown continued interest in maintaining close relations with the Chinese Communists.

--Military hardware supplied by China was paraded through the streets of Rawalpindi during the March 23rd Republic Day parade.

--The intended message to India was clear: China stands behind Pakistan in any future subcontinental quarrel.

Ayub also has tried to avoid antagonizing the US. He is vitally interested in the continuation of US economic aid (recently resumed), and may hope that Washington eventually will permit the renewal of shipments of arms and spare parts.

The Tashkent Declaration of January 10th eased much of the tension created last fall during the fighting between India and Pakistan, but the basic underlying problems remain. There also has been a gradual dissipation of the "Tashkent spirit."

The first round of cabinet level talks held in Rawalpindi in early March was generally disappointing.

--Pakistani negotiators insisted that the Kashmir issue be tackled first; the Indians were not willing to do so.

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- Both countries want to keep the dialogue going, but no date has been set for the second round of cabinet-level meetings.
- Proposals for an early Ayub-Gandhi summit meet- have been received without enthusiasm by the two leaders.

Efforts by India and Pakistan to involve the USSR directly in reviving "the Tashkent spirit" have met with no success and the USSR appears most reluctant to again put its prestige on the line in attempting to resolve differences.

Some benefits did result from the Declaration:

- The forces of the two countries withdrew to the positions held before August 5th,
- Diplomatic envoys returned to their posts, mail and telecommunication were re-established, overflights were authorized, hostile propaganda was reduced, and economic relations are slowly being revived.

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Pakistan now is trying to bolster its armed forces.

--It is in the process of raising at least two
two new divisions.

--Pakistan's armored units and air force were
drastically affected by suspension of US
military aid last fall.

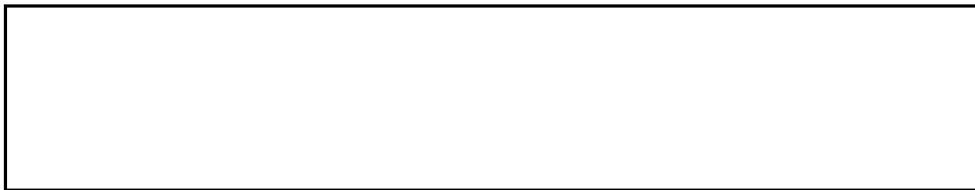
--Pakistanis believe their primary need is for
spare parts for previously supplied US tanks,
planes, and other combat equipment.

--Washington's lifting of the prohibition on
the sale of nonlethal military equipment
has been greeted with little enthusiasm.

--Indonesia supplied Pakistan [] MIG-19s,
motor torpedo boats and small arms, last autumn,
but withdrew the naval craft.

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--Saudi Arabis, Turkey, and Iran have given
limited quantities of arms and ammunition.



--France reportedly has closed a deal to de-
liver [] submarines within the next two
years.

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--Communist China has become a major supplier
of military equipment to Pakistan / since
the
Indo-Pakistan hostilities last fall. Small
arms, artillery, [] medium tanks,

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25X1B [] MIG-19 aircraft, and a few
IL-28 medium jet bombers have already been
received from China. In addition, Pakistani
pilots have gone to China to receive MIG-
flight training.

--A Pakistani missions, under Air Force
Chief Nur Khan, went to Moscow in late June,
presumably seeking arms from the USSR.

India also has increased the size of the army
and now holds an approximately 5:1 numerical ad-
vantage over Pakistan. New Delhi reportedly has
secured new promises of arms deliveries from the
USSR and several other European Communist states.

25X1B --[] aircraft, as well as PT-76 and
T-54 tanks, artillery, and surface-to-air
missile equipment arrived in Bombay in late
February and early March, the first major
shipment of Soviet bloc equipment since
last year's fighting;

--Bloc countries have already delivered to
India--or are committed to deliver--arms

INPAK-5

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and equipment

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The Chinese are maintaining substantial forces in Tibet although there have been no significant clashes along the 1,500-mile Sino-Indian frontier since mid-December. They may resume their harassment of Indian border forces in coming months.

--Indian military leaders are confident they can withstand a Chinese assault but they do not expect an early large-scale Chinese attack.

--Future border clashes are likely, however, as China seeks to remind all parties involved in the South Asian situation that China cannot be ignored in any new developments in the area.

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--The Chinese capability for intervention on a major scale, however, is somewhat limited by the problem of deploying and supplying large forces across Tibet. Railheads are 500 to 1,000 miles or more removed from the critical pressure points against India.

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--Many prominent Indians--including important Congress Party figures--reacted with alarm to the third Chinese Communist nuclear test. Nevertheless, the Gandhi government has reiterated its firm resolve not to develop an Indian nuclear weapons system. Pressures for an Indian bomb will grow as the Chinese test program advances, but New Delhi will probably be able to hold to its policy of restraint for the next two or three years.

Both India and Pakistan--but primarily India--have faced severe food problems as a result of one of the worst droughts in recent history.

--Minimum Indian domestic requirements for food grains for 1966 are now estimated to be some 11-12 million tons above anticipated production. Over 10 million tons have been committed thus far, mostly under US PL-480 agreements. Even with a good autumn harvest, India will need to import 7-8 million tons in 1967.

--Although massive imports have eliminated the threat of widespread starvation, extreme hardship may yet be experienced in many areas during the next three months. Indian efforts to control distribution are hampered by lack of transportation, and by administrative red tape.

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Across the border, Ayub is also faced with growing political problems. The increasingly restive population of East Pakistan has long been suspicious of the central government, which is dominated by West Pakistan.

--Opposition leaders, hoping to capitalize on dissatisfaction with Ayub's handling of East Pakistan's defenses during the war with India, have been pressing the central government to grant greater autonomy to the province.

--The government, fearful that appeals of autonomy today could become demands for independence tomorrow, appears to be turning to more repressive measures in dealing with its opposition. In May, several East Pakistani opposition leaders were thrown in jail and in June the largest opposition newspaper in East Pakistan was closed down.

--The government's problem in East Pakistan have been further increased by popular dissatisfaction over rising food prices. Recent reports indicate that serious food shortages may develop before summer is over.

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In West Pakistan, Ayub continues to face popular discontent over his foreign policies.

- The recent renewal of US economic assistance and the nearly concurrent removal from the cabinet of anti-Western Foreign Minister Bhutto have been seized upon by Ayub's opponents as indications that he is veering closer to the West and away from Peking.
- The subsequent brief visit to Pakistan by Chinese Premier Chou En-lai probably reflected Peking's desire to reassess Ayub's position on East-West relations in the light of recent developments.
- Bhutto, who has considerable popular appeal, could become a thorn in Ayub's side if he allows himself to become a rallying point for the presently disunited opposition forces in West Pakistan.
- Ayub, however, appears to have retained the all-important support of the armed forces and; thus, should be able to survive any challenge to his position in the immediate future.

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7 July 1966

BURMA

- I. The economy continues to deteriorate under General Ne Win's Marxist-oriented "Burmese Way to Socialism."
 - A. Foreign trade is still declining and foreign exchange reserves have dwindled.
 - B. Artificial shortages in consumer commodities have developed as a result of the government's inept handling of the distribution system.
 - C. Two widely publicized actions by the government have not improved the economy.
 1. The People's Stores Corporation was replaced by a Trade Council in October 1965, but this was largely a change in name only.
 2. The Trade Council's control over the purchase and sale of consumer goods, industrial raw materials, and spare parts was greatly expanded last January, but this action is expected merely to compound the country's acute distribution problems.

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D. Ne Win admitted recently that the economy is in a "terrific mess," but he declined to offer any new policies.

II. Ne Win has been similarly unsuccessful in coping with the problem of mounting insurgency.

A. Although insurgency normally rises at the beginning of the dry season in October, the level of activity now appears to be somewhat higher than usual.

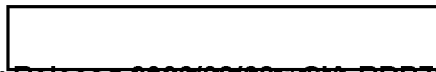
B. Ne Win reportedly estimates that his government now controls only 65 percent of the country, as compared to 75 percent four years ago.

III. The government continues its policy of neutrality, nonalignment, and noninvolvement in international affairs.

A. Ne Win, however, is sometimes compelled to assume a more accommodating posture toward Communist China than he probably desires because of the latter's vastly superior might and close proximity.

IV. Ne Win's government is unlikely to undergo any significant changes in the foreseeable future, barring some external development which profoundly affects Burma's interests.

BUAMA-2



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- A. Economic problems will persist, but aid from abroad, abundant natural resources, and the moderate needs of the agricultural masses should prevent a sudden collapse.
 - B. Insurgency will remain a constant drain upon the government's resources and will continue to be the major obstacle to the political and economic integration of the country.

V. The Ne Win regime is not currently endangered because: (1) the populace remains apathetic; (2) the insurgents lack unity and centralized direction; and (3) the army remains essentially loyal despite certain misgivings about Ne Win's "Burmese Way."

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Approved For Release 2002/08/28 : CIA-RDP79T00827A000300100001-3

7 July 1966

SYRIA

In Syria the radical Baathist clique which seized power in February from the relatively moderate leaders of the Baath party is still trying to broaden its base of support and is threatened by increasingly serious internal factionalism.

- the Baathists have made overtures to all "progressive elements," including Syrian Communists;
- the present cabinet includes one Communist and the leader of the Syrian Communist party was permitted to return in April after eight years in exile;
- the regime also attempting to improve relations with Egypt's Nasir, a long-time enemy of the Baathist movement.
- more importantly, the Syrians are working hard to warm their relations with the USSR. Moscow, evidently seeing the chance of a new break in the situation, agreed in April to provide \$150-175 million in Soviet credits for construction of Syria's long-planned dam on the Euphrates River.

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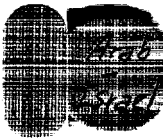
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7 July 1966

THE ARAB-ISRAELI SITUATION

- I. In the Middle East, trouble over the Arab scheme to deprive Israel of some of the Jordan River water has diminished for the time being.
 - A. Arab leaders decided last September to avoid further clashes with Israel over this issue until Arab military strength is increased.
 - B. Work on the diversion canals in Syria and Lebanon accordingly was postponed, but Lebanon and Jordan are planning to construct two related dams which Arab leaders do not consider to be "provocative."
 - C. The decision to slow down was prompted by the exposure of Arab military weakness in the face of Israel's artillery strikes against Syrian canal construction sites on three occasions last year.



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II. Tension between Syria and Israel remains at a high level. Israel might strike directly at Syria, [REDACTED] if terrorist activities continue along the Syrian border. Israel has previously retaliated against alleged Fatah terrorist bases in Lebanon and Jordan whose governments oppose the Fatah.

III. The announcement on 20 May of the US sale to Israel of "a limited number of tactical aircraft" (in fact, 48 subsonic A-4F Skyhawk attack bombers) has been interpreted by Nasir and anti-US Arab extremists as confirmation of US favoritism toward Israel. Nasir has attempted to link Saudi Arabia and Jordan with the US-Israel agreement because of their recent arms agreements with the US.

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7 July 1966

THAILAND

The Communists in Thailand appear determined to step up the pace of their subversion.

Peking-based "Thai Patriotic Front," marked its first anniversary last December by calling for "armed struggle" in Thailand to be expanded into a "people's war," and now openly warning that the "Vietnamese people" may become involved in Thailand.

Front's statement is pegged to the recent announcement that a small Thai military contingent is going to South Vietnam. The statement also puts great emphasis on the expanding US presence in Thailand, apparently in an effort to portray the Communist movement as a struggle for independence.

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The Communists inside Thailand have become more active during the past several weeks. A marked

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increase in the pace of Communist terrorism, training, and recruiting has been noted, principally in the northeast provinces.

On 28 May, a 22-man government police patrol was ambushed by an estimated 100 insurgents in Nong Khai Province, and on 28 June, terrorists boldly entered a police station in Udorn Province and seriously wounded three policemen.

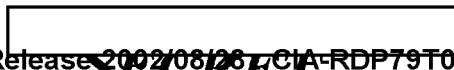
The Communists have also launched their first attacks against regular Thai Army elements in the northeast, with a small attack and ambush in Ubon and Sakhon Nakhon provinces in mid-May.

In part, the insurgents appear to be reacting more aggressively to recent government suppression operations.

The Thai government, continues to give strong backing to US foreign policy, particularly in Southeast Asia. The Thais have been reassured over the past year by US determination in South Vietnam.

Thailand's material contribution to the effort in South Vietnam has been largely confined to allowing the US to fly reconnaissance and combat missions into Laos and North Vietnam from Thai bases.

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Although they have recently agreed to send two small ships and one plane with Thai crews, thus far the Thais remain generally reluctant to provide South Vietnam with combat troops or significant military or economic aid.

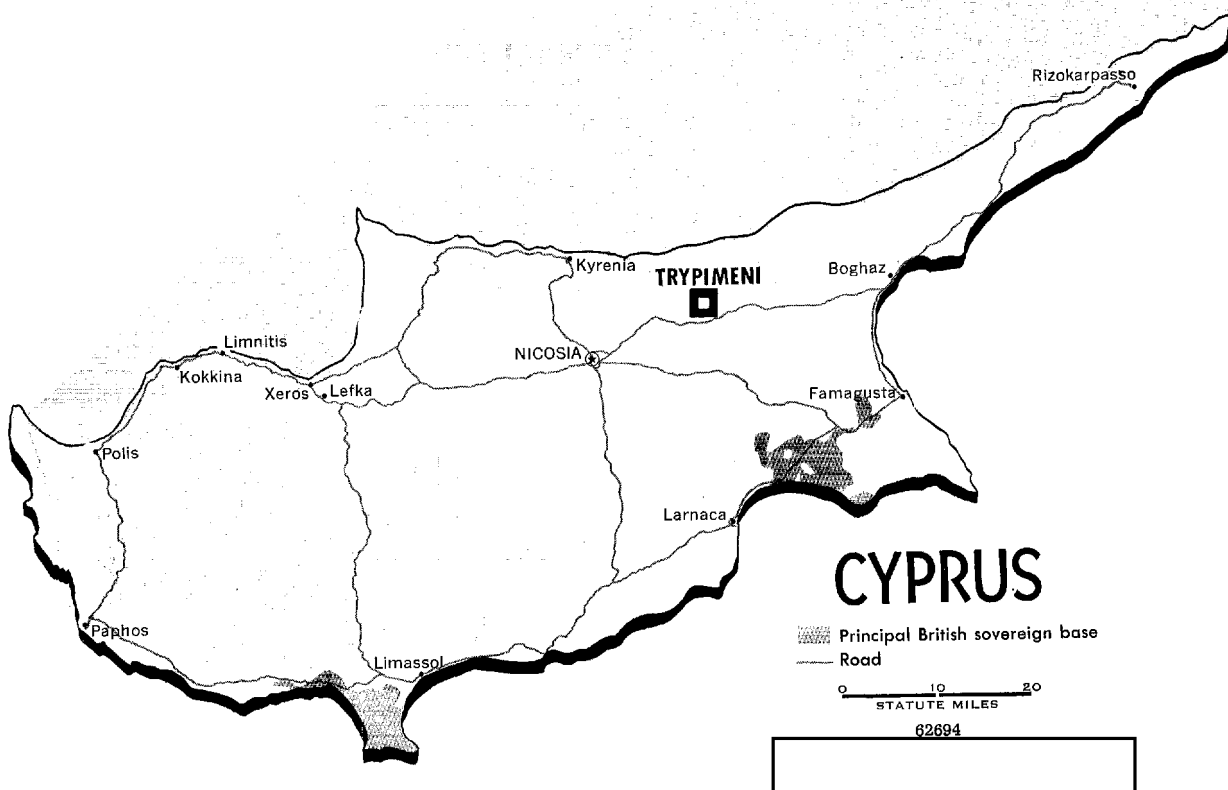
The traditional animosity between Thailand and Cambodia has in recent months erupted into a series of armed clashes at isolated border posts along the 400-mile frontier.

The situation is aggravated by Thailand's support of the anti-Sihanouk movement of dissident Cambodians known as the Khmer Serei, who have made several forays into Cambodia from Thai territory, provoking Cambodian counteroperations.

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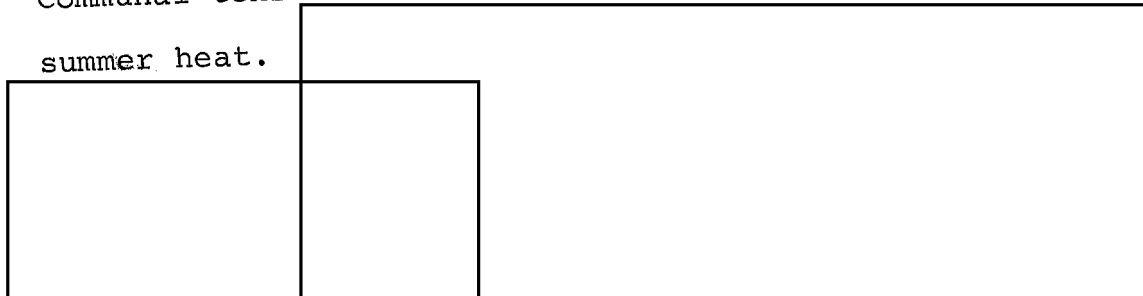
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7 July 1966

CYPRUS

Communal tensions on the island have risen with the summer heat.



Bombings, kidnappings, and other incidents have multiplied on both sides; twice since 1 June Makarios has clamped restrictions on the freedom of movement of Turkish Cypriots to and from the Turkish quarter of Nicosia. He claims that Turkish Cypriots are guilty of bombings in the Greek sector of the city.

Turkish Cypriot reaction to the first ban was a further withdrawal from intercommunal cooperation-- Turkish judges now refuse to take part in court sessions on the Greek side--and a move toward the de facto partition desired by the Turkish Cypriot leadership.

Ankara's failure to back up an "ultimatum" it issued following the second ban confirmed Greek Cypriot convictions that Turkey reacts militarily only

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to a provocation that jeopardizes its basic rights on the island.

The Turk's failure to respond with force in this situation also may undermine the confidence of the Turkish Cypriot community that Ankara really intends to protect Turkish Cypriot rights.

Makarios' policies have won him no friends in the world forum, but the Turkish Cypriot reaction gives credibility to his argument that cooperation with the Turkish community is impossible.

Month-long UN mediation efforts have failed to resolve a confrontation over Greek Cypriot road construction in the Trypimeni area northeast of Nicosia. Both factions have set up armed positions overlooking the road site.

Makarios reportedly will accept "demilitarizing" the area, but the Turkish Cypriots are holding out for a number of observation posts to assure that Greek Cypriots do not resume construction.

The Greek Government is apprehensive over possible military action by General Grivas, the Greek-controlled commander of Cyprus armed forces, who

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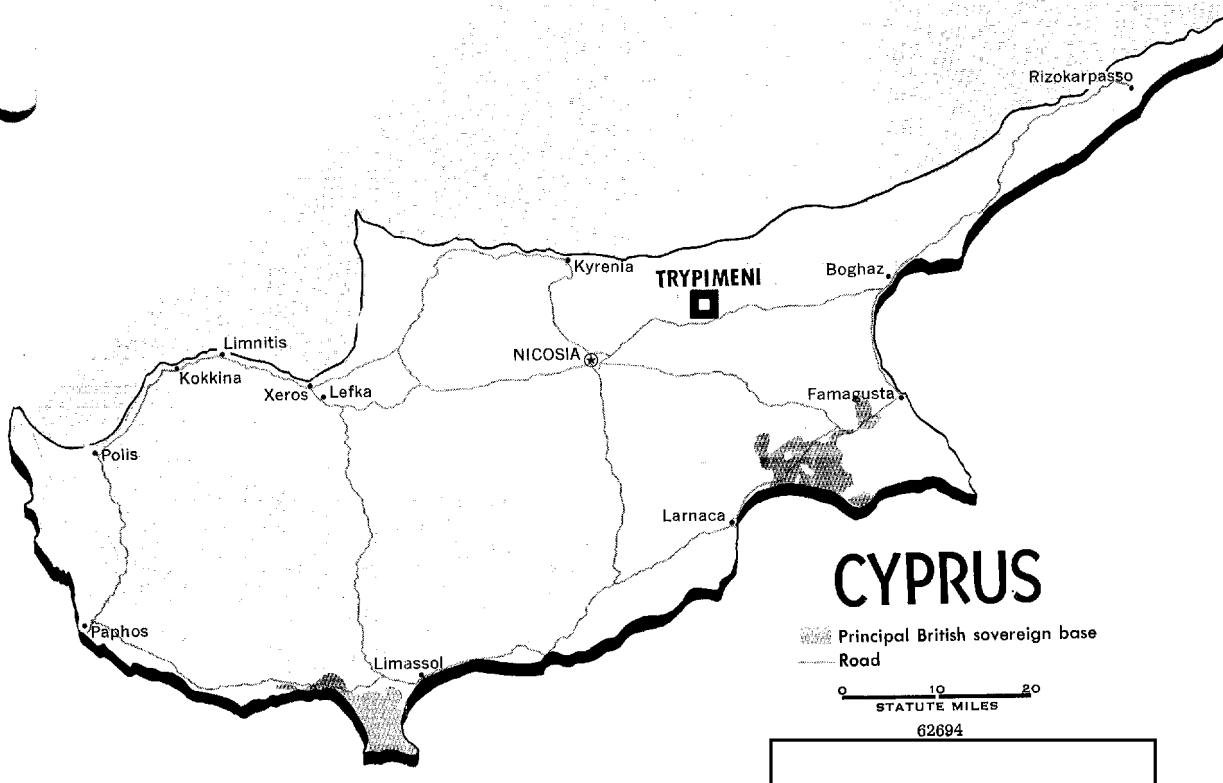
recently was given unlimited authority by Makarios to "solve" the issue if negotiations fail. Other top Greek officers on the island are to keep Athens informed of Grivas' intentions.

Should the Greek Cypriots fail to keep the upper-hand in the Trypimeni issue, Makarios will likely remind Athens that the problem was in its hands, and the longstanding feud between Makarios and Grivas could resume.

Both Greece and Turkey seem to hope to make a success of their latest round of Cyprus talks, but neither has given any indication that it is willing to make the necessary concessions. Moreover, any attempt to impose a solution on Makarios will undoubtedly result in continued frustration.

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7 July 1966

The Chinese Communist Leadership

The most important thing about Communist China is that it is undergoing a leadership upheaval of some kind.

--Pronouncements from Peking have been cryptic.

--It is difficult to say exactly what is going

on.



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We believe that China has, in a sense, entered a transition period even before Mao Tse-tung's final departure.

--Mao's absences from the public scene are growing longer and longer, suggesting recurring illnesses.

--Circumstances surrounding his absence for five and one-half months this past winter and spring are unknown.

--It is not likely that events would have developed as they did if his grip on the party had not slipped.

Mao Tse-tung probably remains the dominant leader, and can probably impose his will, but at least since

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November he has not had the sure sustained control of events that a party leader aims at.

--It is possible, moreover, that ambitious colleagues are pushing Mao to turn over more and more of the party machinery and the authority to make domestic and foreign policy decisions.

--In fact, we may be seeing the beginning of the end of the long era of Mao Tse-tung.

At the moment, the relative standing of Mao's immediate lieutenants is far from clear. Disclosures already made point to a power play by Teng Hsiao-ping, the powerful general secretary of the party.

--Teng has been working with or using Lin Piao, whose place in the army would make him a useful ally.

--Teng probably built the case that led to the recent ouster of Peng Chen, a rival in Mao's inner circle of advisers.

At the present moment, the situation is still fluid, but not as much as it was a month or two ago.

--The Peking People's Daily announced on 1 July that the struggle was over. ✓

--The paper described recent events as an attempt by "counterrevolutionary" plotters to seize

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